

BRIEFING: VEDP STRATEGIC PLANNING PROCESS AND ECONOMIC GROWTH STRATEGY

MEI Commission
August 21, 2017



**VIRGINIA ECONOMIC
DEVELOPMENT PARTNERSHIP**

TOPICS FOR TODAY'S DISCUSSION

- Draft aspirational goals for Virginia and VEDP
- How we can accomplish those goals
- Preparing VEDP for the future: strategic planning
- Highlights from VEDP strategic planning survey
- Discussion
- Next steps

WITH INPUT FROM GA LEADERS, ADMIN., AND STAKEHOLDERS, WE DRAFTED FIVE ASPIRATIONAL GOALS FOR VIRGINIA AND VEDP

1. Over the next several years, position Virginia to achieve a growth rate (measured by employment and median earned income of workers) among that of the top 5-10 states in the US
2. Ensure that every region participates in the growth of the Commonwealth (i.e., all with positive growth in employment and median earned income of workers)
3. Restore Virginia to its previous leadership position near the top of the national business climate rankings (i.e., average position among the top 3-5 states)
4. Reestablish VEDP as one of America's premier state economic development organizations (principally to better enable accomplishment of the top three aspirational goals)
5. Exhibit collaboration and coordination as hallmarks of VEDP (i.e., place a central focus on the "P" in VEDP)

IMPORTANT NOTE: A top priority for 2017 is completing implementation of the JLARC recommendations

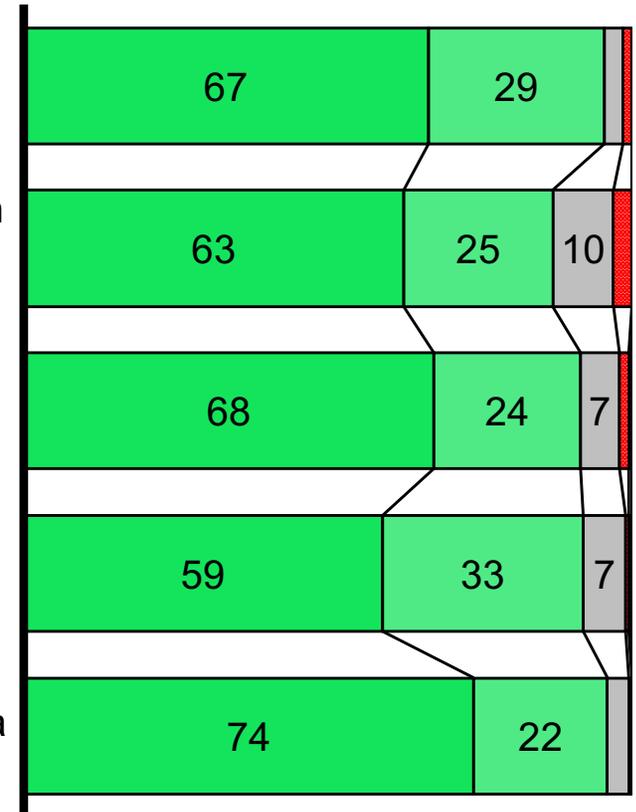
VIRGINIA'S ECONOMIC DEVELOPMENT STAKEHOLDERS STRONGLY SUPPORT THESE ASPIRATIONAL GOALS

Percent (%)



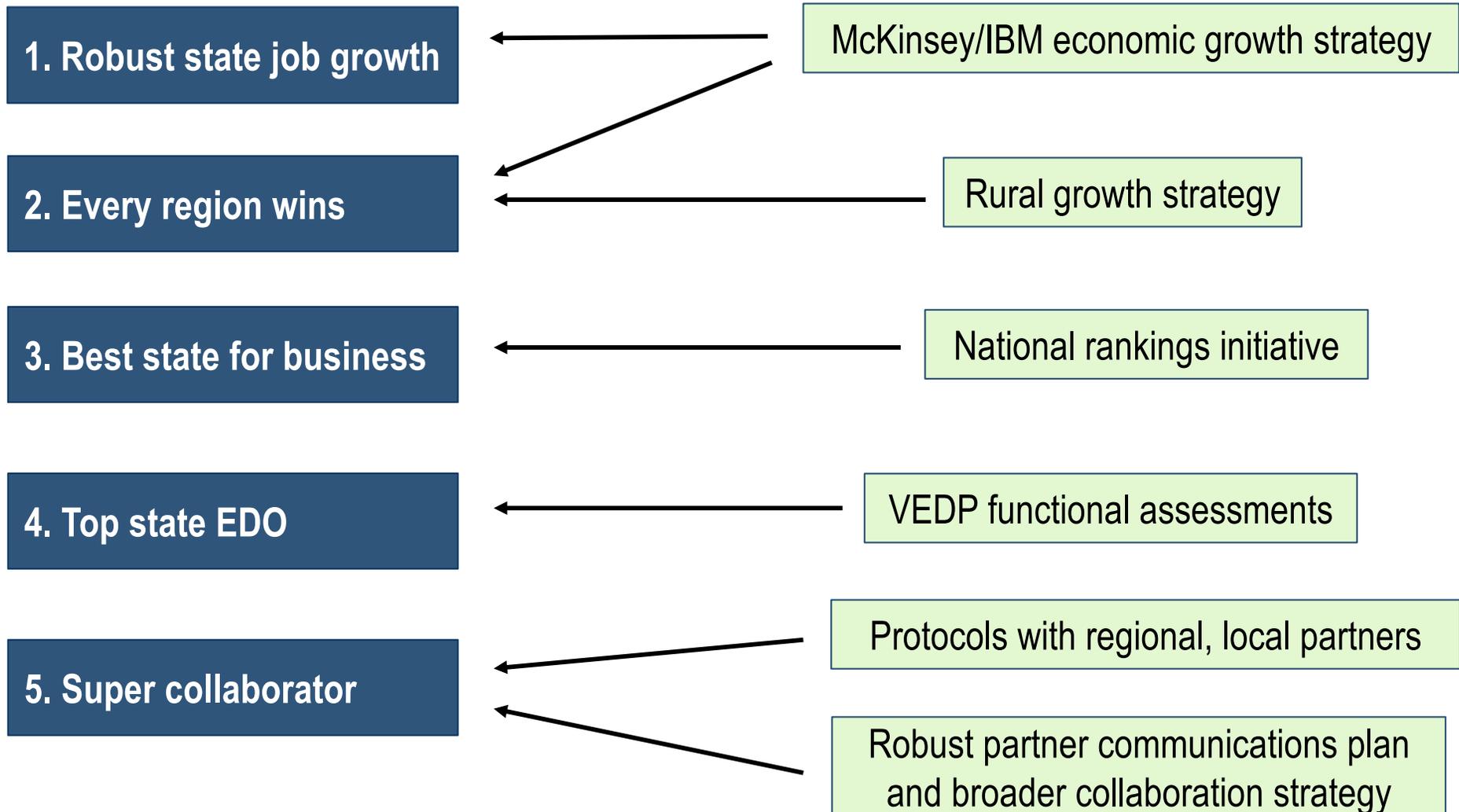
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External Stakeholders

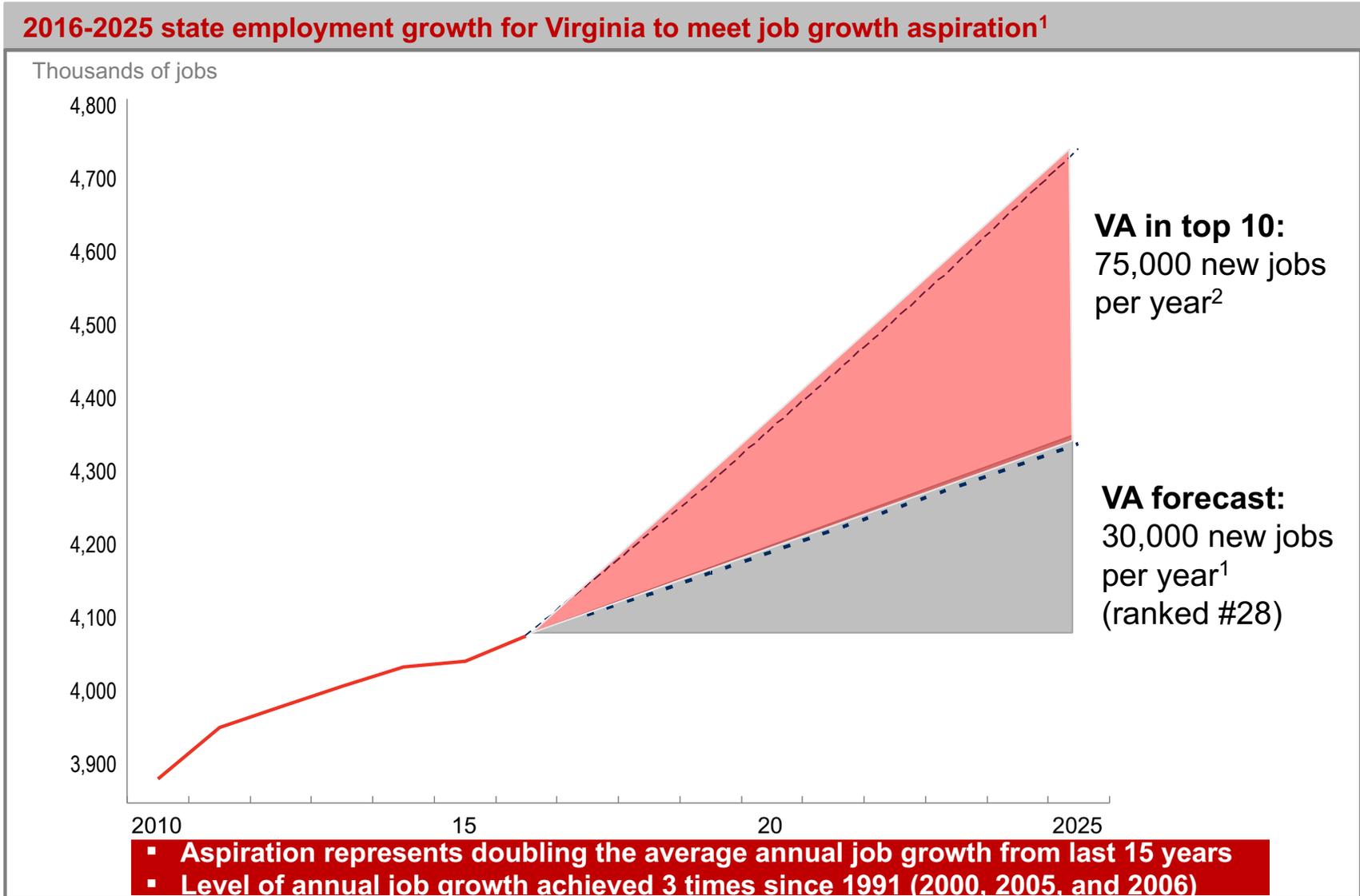


Source: Survey item completed by 200 external economic development stakeholders in July 2017 (excludes board and staff)

WE HAVE LAUNCHED SEVERAL INITIATIVES TO HELP ACCOMPLISH THESE ASPIRATIONAL GOALS



VA NEEDS TO AT LEAST DOUBLE BASELINE EMPLOYMENT GROWTH EXPECTATIONS TO BE AMONG THE TOP 10 STATES



1 Historical trends based on CAGR 1990-2015; forecast trends based on CAGR 2015-2025

2 Top 10 represents the average forecasted growth rate of the top 10 US States from 2015-2025

Source: BLS; Moody's Analytics; McKinsey analysis

VA CAN PRIORITIZE HIGH-POTENTIAL INDUSTRIES AND STRENGTHEN KEY ENABLERS TO ACHIEVE ITS GOALS

DRAFT

Over time, position Virginia to rank in the top 10 states in the US for both employment growth and growth in median earned income of workers, ensuring no region is subject to economic decline

Targeted industry clusters

- 1 Push new boundaries as a US leader in IT (e.g., cyber and data center) 
- 2 Assemble a world class transportation and logistics hub 
- 3 Shift the State's manufacturing base to be high growth and future ready 
- 4 Create business services and operations centers of excellence 
- 5 Capitalize on Virginia's unique assets to become a leader in promising disruptive technologies (e.g., unmanned systems, genomics) 

Key enablers

6 
Workforce solutions:
Prepare and connect job seekers and employers

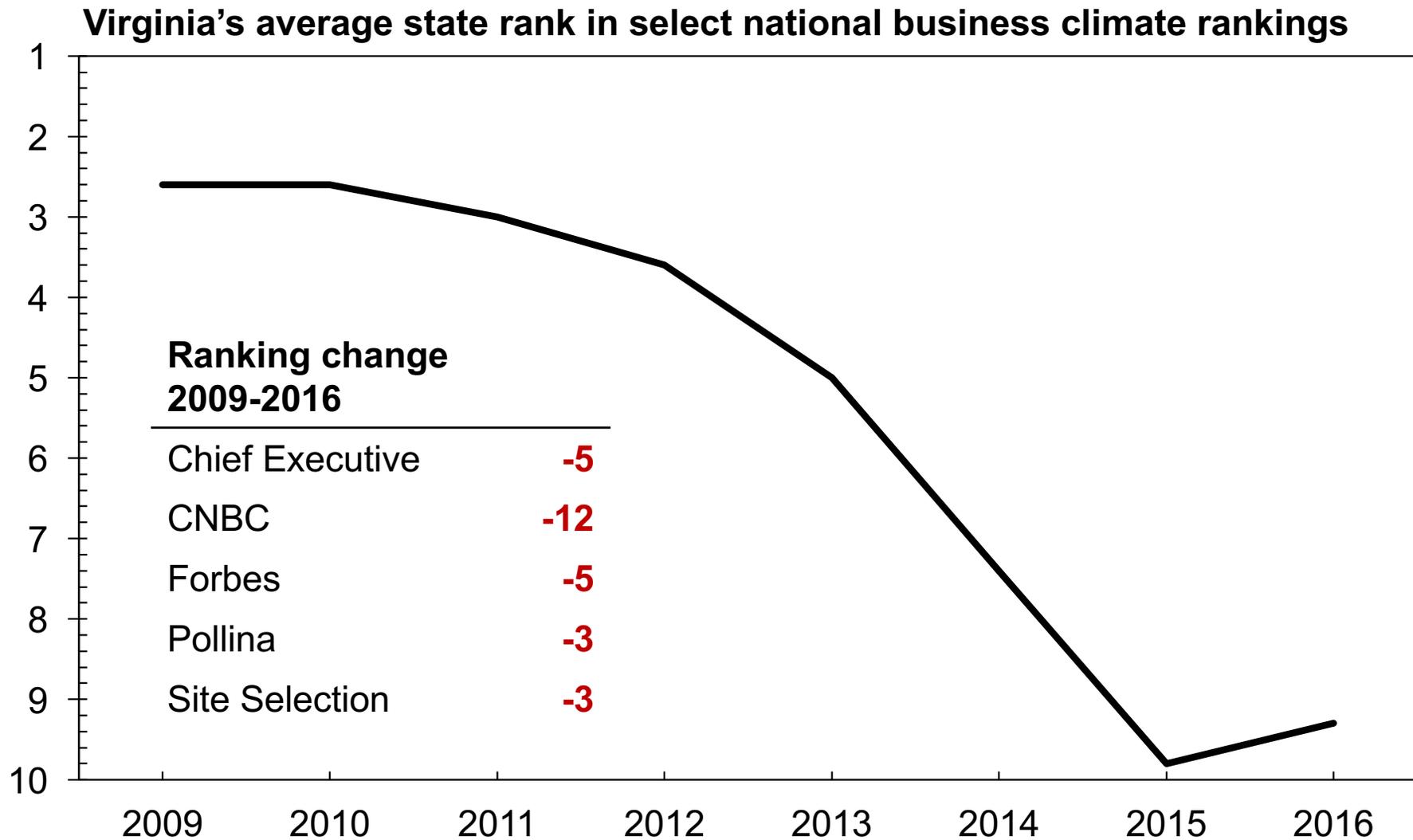
7 
Talent development:
Attract and retain high demand skills

8 
Site readiness:
Improve investment preparedness by enhancing the pipeline of sites

9 
Building digital infrastructure:
Enhance broadband access statewide

Trade Development and Marketing to be Added

SINCE 2010, VA'S AVERAGE RANK IN NATIONAL BUSINESS CLIMATE STUDIES HAS DROPPED ABOUT SEVEN SPOTS



Source: Chief Executive magazine, CNBC, Forbes, Pollina Corporate Real Estate, Site Selection magazine

VIRGINIA'S DROP IN MAJOR RANKINGS CAN BE TIED TO THREE MAIN FACTORS

Business Costs



New rankings of some business costs (e.g., tax burdens on new investment) place Virginia in a relatively negative light

Economic Climate & Growth



With federal sequestration and Virginia's reliance on federal spending, Virginia experienced a slowdown in growth

Perceptions of CEOs



CEO perceptions of Virginia's business climate declined modestly after 2009

Source: Published rankings methodologies and VEDP analysis

THREE BROAD APPROACHES CAN BE UTILIZED IN COMBINATION TO GET VIRGINIA BACK ON TOP



Policy Improvements

Example: Lower the effective tax burden for new, capital-intensive manufacturers



Programmatic Initiatives

Example: Create a world-class, turnkey, customized workforce recruitment and training incentive

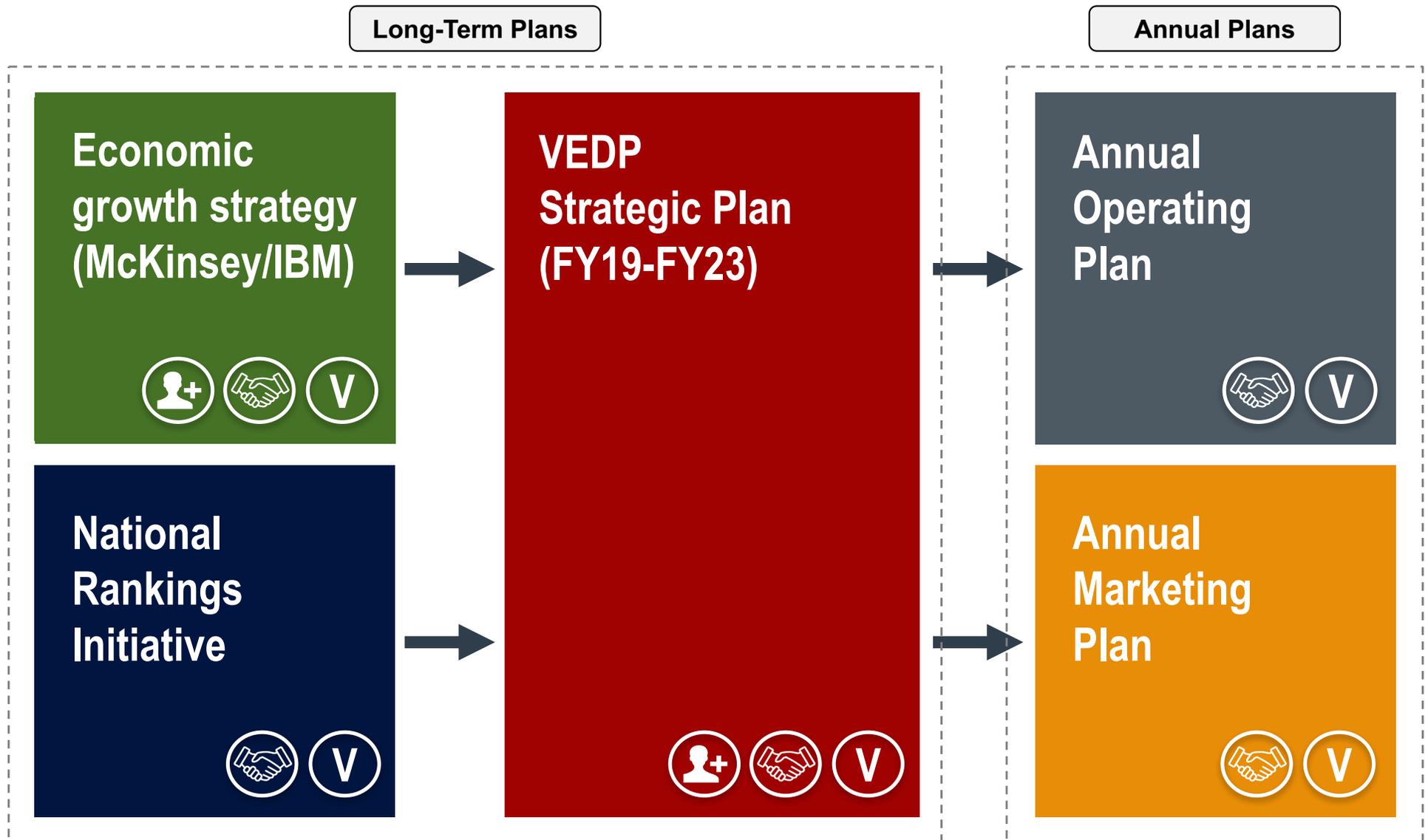


Marketing/Branding Programs

Example: Position VA as the leading state brand for target industry sectors, place a national spotlight on the rural VA opportunity, and highlight VA's alluring business climate

These broad approaches also will enable faster employment growth, further bolstering Virginia's rankings

THREE LONG-TERM PLANNING EFFORTS WILL DRIVE VEDP'S FUTURE ANNUAL PLANS

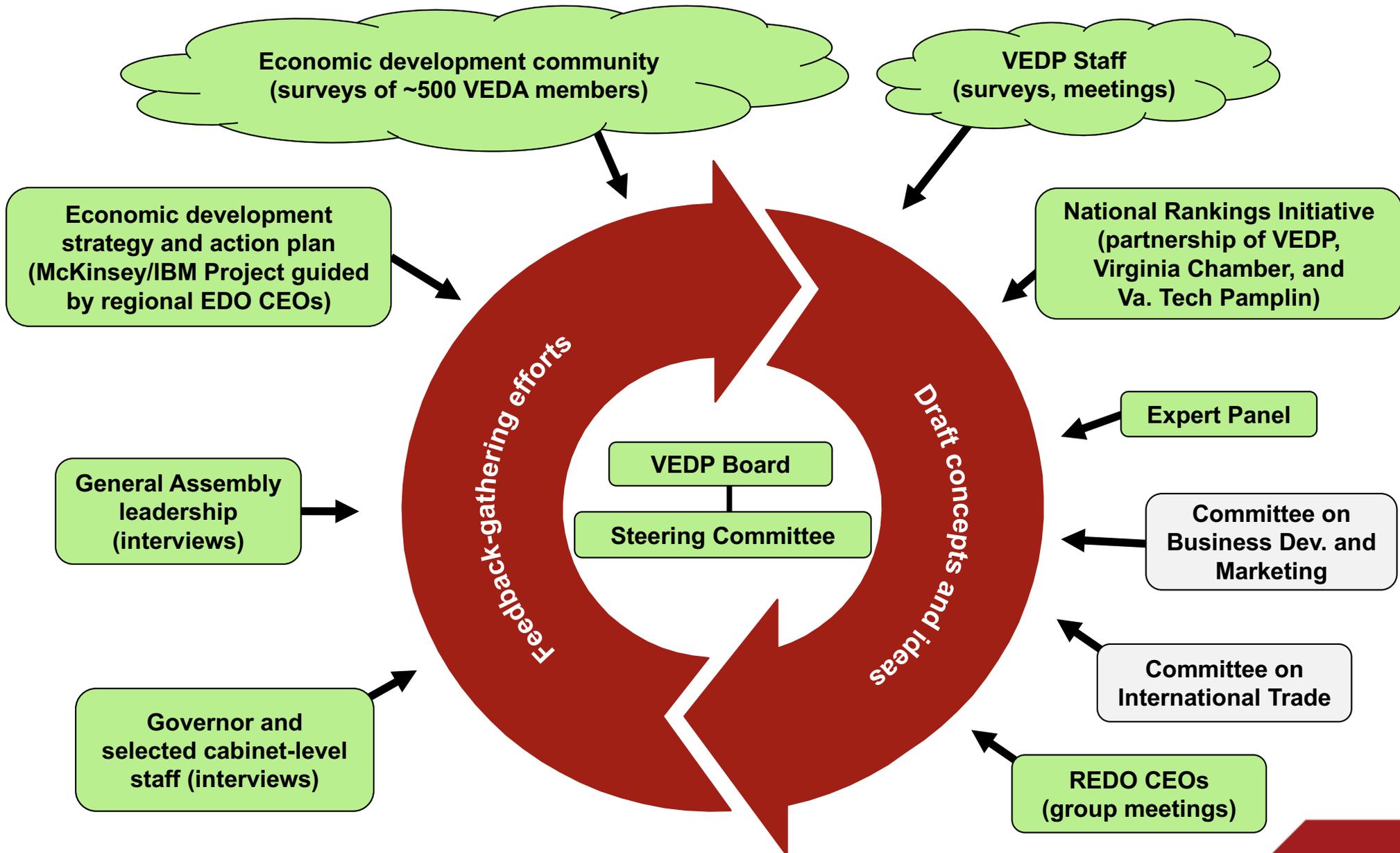


All plans will include input from multiple groups:  Outside Consultants  In-State Partners  VEDP Staff

OUR STRATEGIC PLAN IS BEING CRAFTED WITH EXTENSIVE STAKEHOLDER ENGAGEMENT

Engaged

Not engaged



SELECTED HIGHLIGHTS* FROM VEDP STRATEGIC PLANNING SURVEY (1 OF 2)

- Develop a **protocol** document to clarify roles/responsibilities of VEDP and its regional and local partners (95% agree or strongly agree; 2% disagree or strongly disagree)
- VEDP should partner with others to craft the right mix of development-ready sites, workforce solutions, and performance-based incentives to make Virginia competitive for **high-impact, high-profile economic development projects** in every region of Virginia (90% agree or strongly agree; 4% disagree or strongly disagree)
- Launch a world-class, turnkey, customized **workforce recruitment and training incentive program** (89% agree or strongly agree; 4% disagree or strongly disagree)
- Match **targeted marketing investments** of other major states (e.g., Georgia, Ohio) to highlight our attractive business climate, position Virginia as the leading state in our target industry sectors, and clearly convey the compelling advantages of Virginia's distinctive regions (85% agree or strongly agree; 5% disagree or strongly disagree)
- Considering the important role of trade in domestic economic development, state and VEDP leaders should explore options to **expand trade development programs** in Virginia (79% agree or strongly agree; 4% disagree; 17% neutral or not familiar)
- Recognizing the national challenges facing rural areas, Virginia and VEDP should place a **special focus on supporting rural economic development** to ensure that rural areas are positioned to grow (79% agree or strongly agree; 11% disagree; 11% neutral or not familiar)

* Full survey results to be shared with economic development community and MEI in the near future

SELECTED HIGHLIGHTS* FROM VEDP STRATEGIC PLANNING SURVEY (2 OF 2)

- VEDP can play a valuable role in **business retention and expansion**, provided that VEDP executes its BRE program effectively and in close collaboration and communication with local economic development partners (77% agree or strongly agree; 7% disagree; 16% neutral or not familiar)
- Place more state and local focus on **cultivating attractive, prepared sites** for our target industry sectors, as VEDP's business-ready sites program is valuable but not big enough (72% agree or strongly agree; 6% disagree; 22% neutral or not familiar)
- Public officials in Virginia should **reduce state/local tax burdens on new investment** (including both expansions of existing firms and new business facilities) in order to make the Commonwealth more attractive for investment and job creation (65% agree or strongly agree; 12% disagree; 23% neutral or not familiar)
- A majority of external stakeholders believe that VEDP should **share all leads/RFPs/RFIs**, even when a particular area doesn't meet the requirements (57% agree or strongly agree; 22% disagree or strongly disagree); *however, roughly 40% of the individuals who commented in the marketing and lead generation section suggested a periodic summary report in lieu of live reporting of all leads/RFPs/RFIs*
- **Top state EDOs** referenced as examples to explore included: North Carolina (31%), Georgia (23%), South Carolina (23%), Tennessee (20%), Ohio (17%), Louisiana (9%), and Texas (9%)

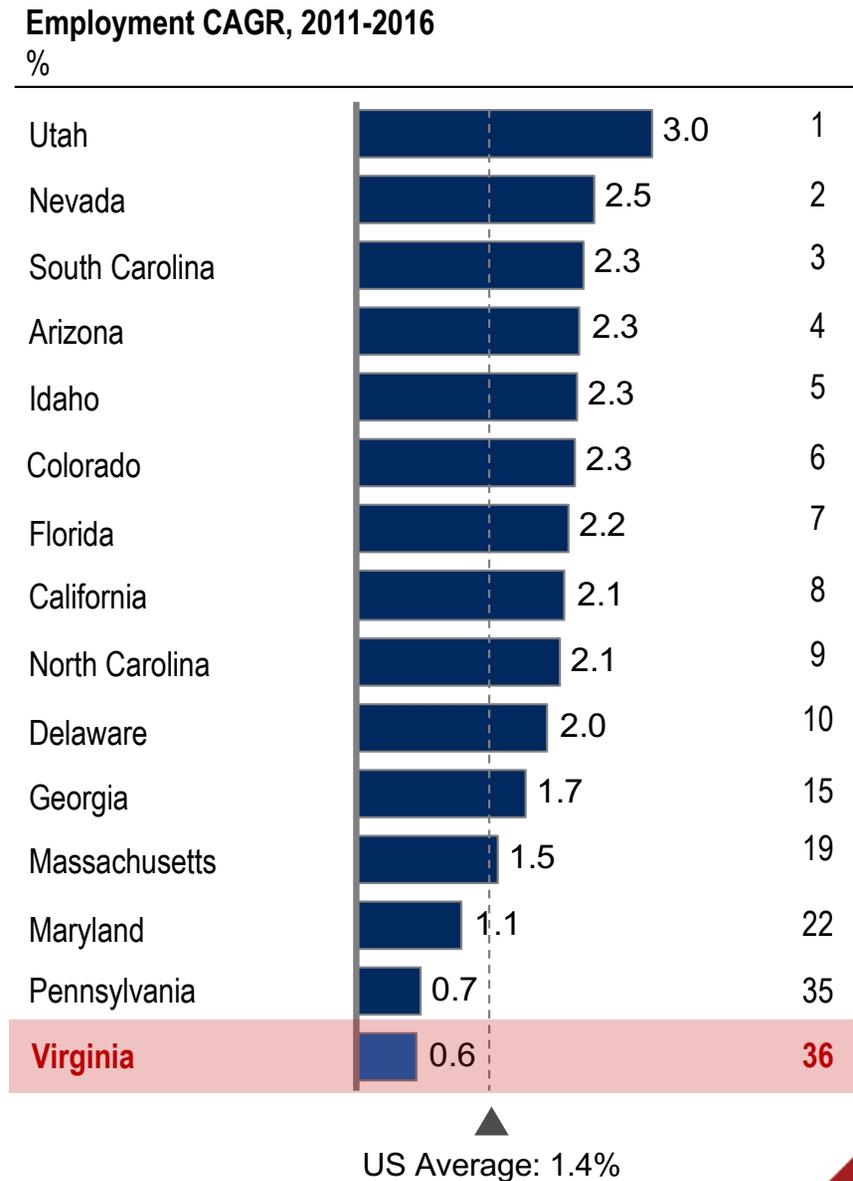
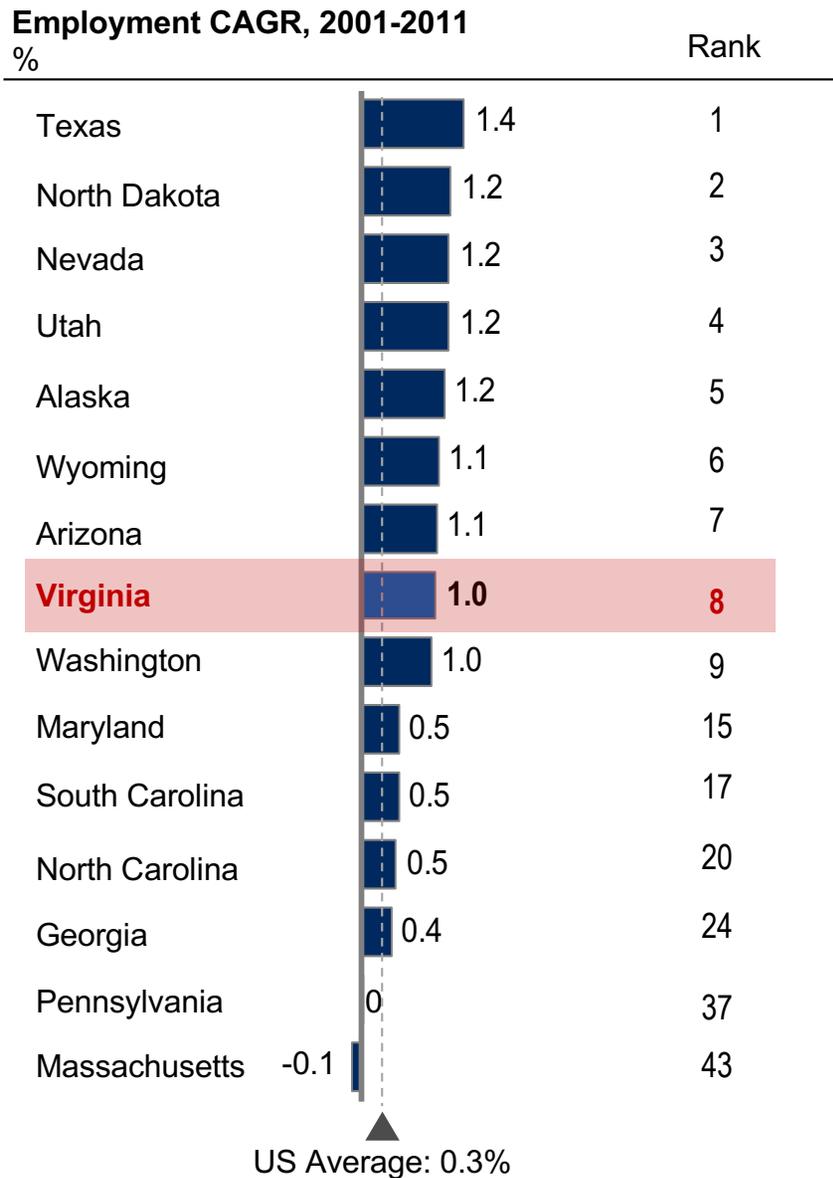
* Full survey results to be shared with economic development community and MEI in the near future

NEXT STEPS

- Completion of VEDP functional assessments in comparison to best practices elsewhere, as well as competitiveness assessment for Virginia
- Completion of interviews with key GA members (e.g., MEI)
- Kickoff of steering committee and advisory committees on trade and marketing/biz dev (once appointments are finalized)
- Follow-up engagement and recommendations from expert panel
- Completion of analysis illustrating how VEDP can best add value in carrying out its statutory powers and duties
- Further development of performance metrics, with input from IEDC
- Completion of economic growth strategy draft action plan
- Refined draft of strategic plan initiatives
- Syndication of plan elements with stakeholders (including MEI members)

APPENDIX

VA WEATHERED THE RECESSION WITH ABOVE AVERAGE GROWTH, BUT HAS STRUGGLED THROUGHOUT THE RECOVERY (LARGELY DUE TO SEQUESTRATION)



AS NOVA'S GROWTH HAS SLOWED DUE TO SEQUESTRATION, ROVA HAS EXPERIENCED A RELATIVE INCREASE IN JOB GROWTH OVER THE PAST FIVE YEARS

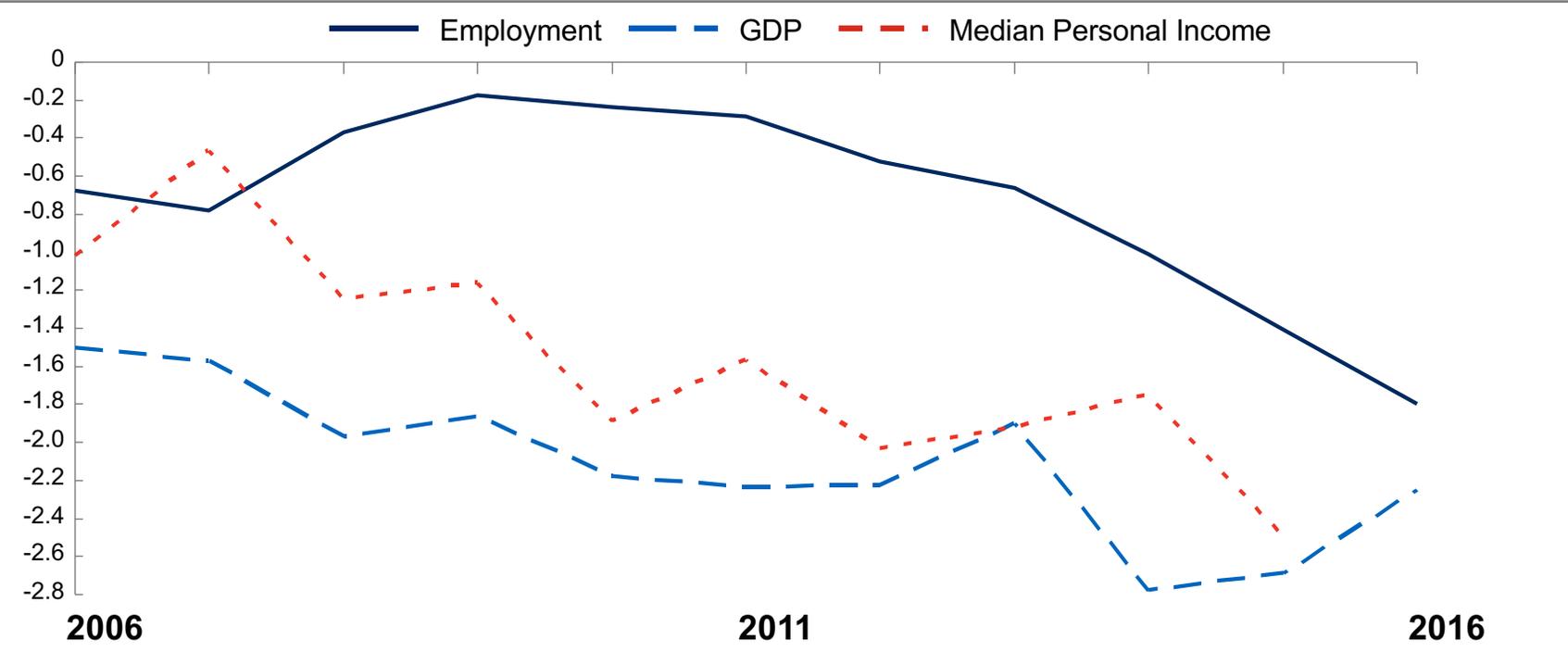
Region	Employment CAGR, 2006-2011, %	New jobs, k	New jobs, %	Employment CAGR, 2011-2016, %	New jobs, k	New jobs, %
Northern Virginia	1.3%	81.5	104%	0.9%	60.4	44%
Rest of Virginia	0%	-2.8	-4%	0.6%	75.6	56%
Greater Williamsburg Partnership	0.6%	2.3	3%	0.8%	3.1	2%
Central Virginia Partnership for Economic Development	0.6%	4.5	6%	1.0%	8.0	6%
New River Valley Economic Development Alliance	0.5%	2.1	3%	0.7%	3.1	2%
Greater Richmond Partnership	0.4%	9.0	11%	1.6%	41.8	31%
The Lynchburg Regional Business Alliance	0.2%	1.2	2%	-0.1%	-0.6	0%
Hampton Roads Economic Development Alliance	0.1%	3.8	5%	0.4%	14.1	10%
Roanoke Regional Partnership	0.1%	0.6	1%	0.2%	1.2	1%
Virginia's Growth Alliance	-0.1%	-0.3	0%	-0.2%	-0.6	0%
Fredericksburg Regional Alliance	-0.1%	-1.0	-1%	1.0%	8.4	6%
Shenandoah Valley Partnership	-0.2%	-2.8	-4%	0.5%	6.4	5%
Northern Neck Chesapeake Bay Region Partnership	-0.5%	-1.1	-1%	-0.6%	-1.4	-1%
Virginia Coalfield Economic Development Authority	-0.7%	-2.9	-4%	-3.1%	-11.2	-8%
Middle Peninsula Economic Development Resource Organization	-0.8%	-1.7	-2%	0.2%	0.4	0%
Virginia's Industrial Advancement Alliance	-1.1%	-4.8	-6%	0%	0.1	0%
Virginia's Gateway Region	-1.3%	-4.3	-5%	0.7%	2.2	2%
Southern Virginia Regional Alliance	-1.5%	-7.3	-9%	0.1%	0.5	0%
Total	0.5%	78.7	100%	0.6%	135.9	100%

Source: BLS, Moody's Analytics

VIRGINIA'S INCOME AND GDP PERFORMANCE ALSO DETERIORATED OVER THE PAST DECADE WITH SEQUESTRATION, REACHING BOTTOM 5 AND 10 RESPECTIVELY

Rolling five year CAGR

Difference between VA and top 10¹ growth rates, %



Metric	2006	2011	2016
Employment growth Rank	12	6	36
GDP growth Rank	19	22	42
Income growth Rank ²	4	24	46

1 Top 10 is defined as the average value of a state in the top 10 by growth rate for any given year

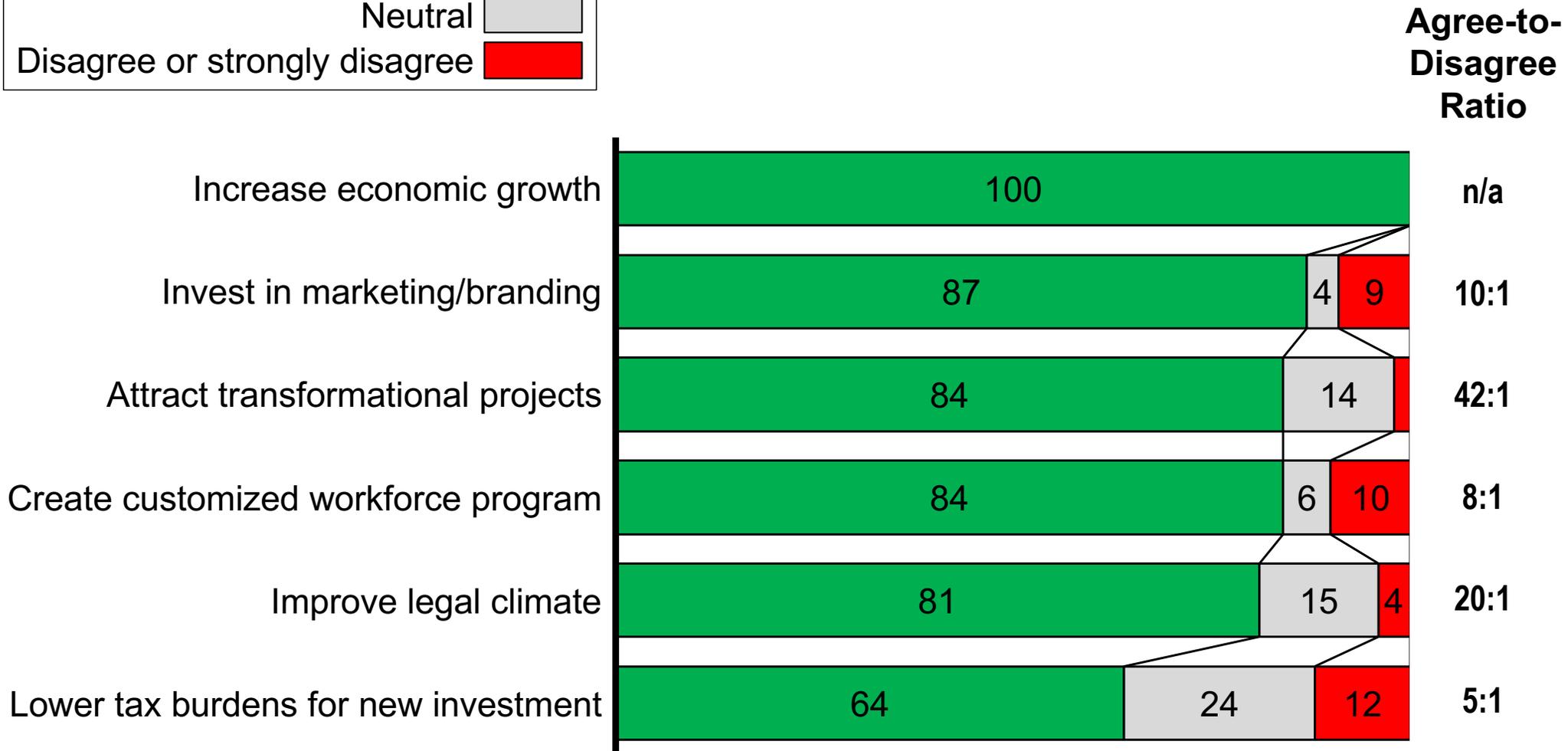
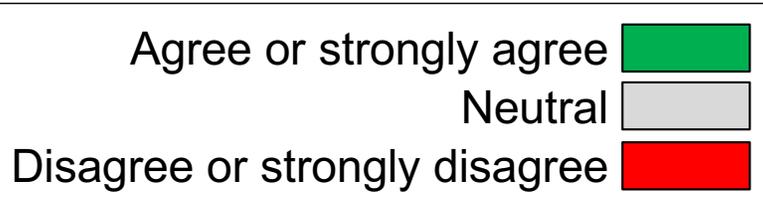
2 Income is measured as real median income of employed individuals, and is shown for the period of 2005-2015

Source: BLS, Moody's Analytics

WORKING WITH THE VA CHAMBER, WE HAVE IDENTIFIED SIX PROMISING INITIATIVE CONCEPTS SO FAR

1. Implement the economic growth strategy and action plan to be developed with McKinsey and IBM
2. Enact targeted tax changes to reduce tax burdens on new business investments
3. Create a world-class, turnkey, customized workforce recruitment and training incentive
4. Enact targeted legal reforms to improve Virginia's business climate
5. Secure transformational economic development projects that attract positive national attention
6. Invest in marketing efforts to improve perceptions of Virginia's business climate among key targets

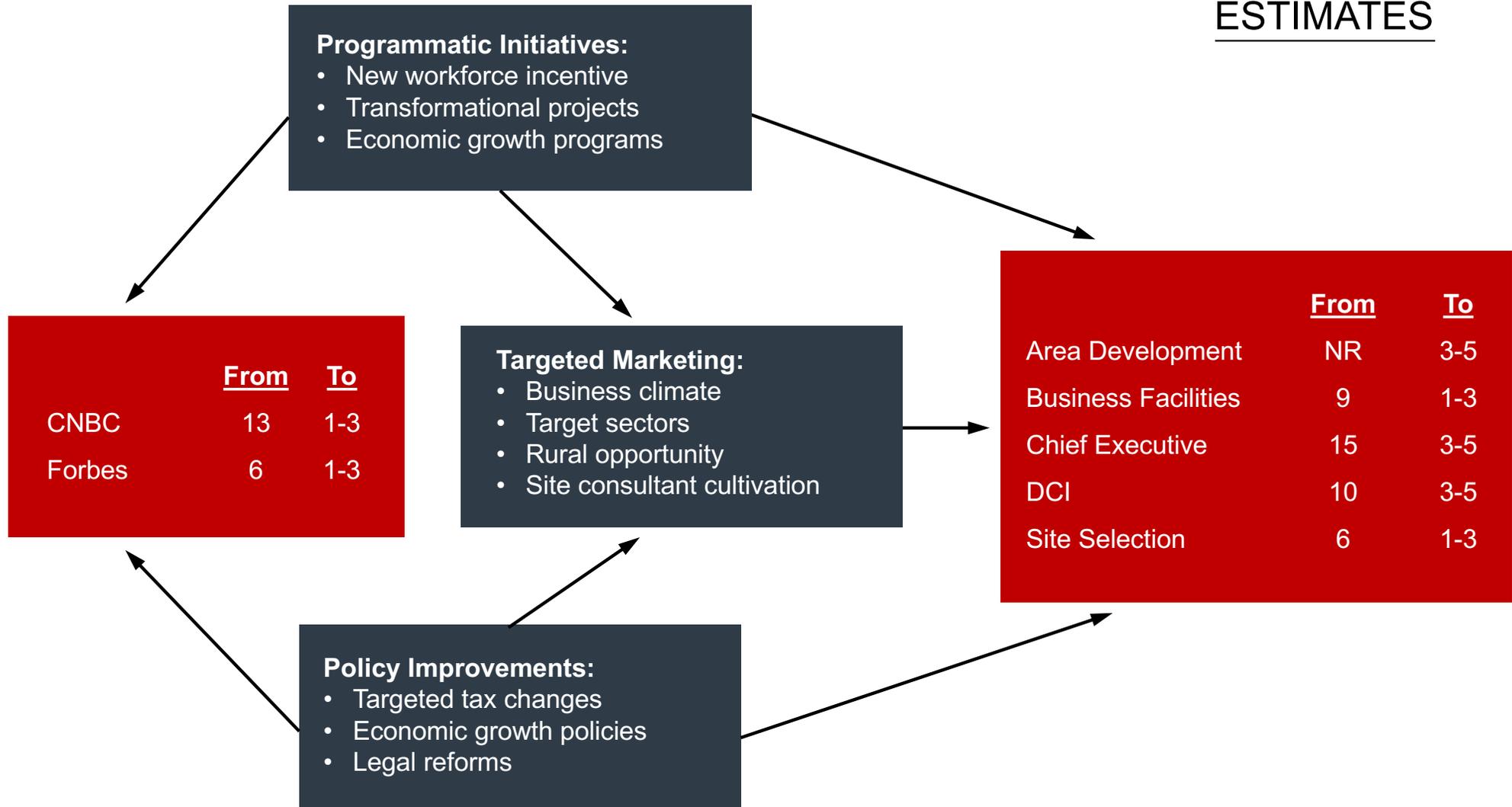
WE POLLED THE VA CHAMBER'S BUSINESS CLIMATE INDUSTRY COUNCIL ON SOME OF OUR TENTATIVE STRATEGIC PRIORITIES



Source: Electronic poll of Business Climate Industry Council (avg. of 47 respondents per question) on June 22, 2017; see appendix for survey questions

FULL IMPLEMENTATION OF THE SIX HIGHLIGHTED INITIATIVE CONCEPTS WOULD PROPEL VIRGINIA BACK TO THE TOP*

ESTIMATES



* Full impact would take approximately 5-7 years; Phase I will focus on these top 7 rankings, while Phase II will address other topic-specific or minor rankings

WE ASSEMBLED A STRONG STEERING COMMITTEE TO HELP SHAPE OUR STRATEGIC PLAN

- Peter Blake, Director, State Council of Higher Education for Virginia (SCHEV)
- Shannon Blevins, Associate Vice Chancellor for Economic Development & Engagement, UVa-Wise
- Beth Doughty, Executive Director, Roanoke Regional Partnership
- Barry DuVal, President & CEO, Virginia Chamber of Commerce
- Evan Feinman, Executive Director, Tobacco Region Revitalization Commission
- Amanda Glover, Director of Economic Development & Tourism, Augusta County
- Victor Hoskins, Director, Arlington Economic Development
- Joshua Lewis, Executive Director, Virginia's Industrial Advancement Alliance
- Christopher Lloyd, Senior Vice President and Director, Infrastructure and Economic Development, McGuireWoods Consulting
- Barry Matherly, President and CEO, Greater Richmond Partnership
- Ken McFadyen, Director of Economic Development, Botetourt County
- Stephen Moret, President and CEO, VEDP
- Christy Morton, Executive Director, Center for Rural Virginia and Council for Rural Virginia
- Arthur Moye, Jr., Executive Vice President, Virginia Maritime Association
- Catherine Riley, VP of Marketing, Fairfax County Economic Development Authority
- Curry Roberts, President, Fredericksburg Regional Alliance
- Robin Sullenberger, Board Member, VCCS
- Telly Tucker, Director, Danville Economic Development
- Cathie Vick, Chief Public Affairs Officer, Port of Virginia
- Rick Weddle, President & CEO, Hampton Roads Economic Development Alliance
- Chair (TBD), VEDP Committee on Business Development and Marketing
- Chair (TBD), VEDP Committee on International Trade

WE ASSEMBLED AN EXPERT PANEL TO ADVISE US DURING OUR STRATEGIC PLANNING PROCESS

- Jeff Finkle, President/CEO, International Economic Development Council (IEDC)
- Amy Liu, VP and Director of the Metropolitan Policy Program, Brookings
- Dennis Meseroll, Executive Director, Tractus Asia Limited
- Enrico Moretti, Professor of Economics, UC-Berkeley
- Ken Poole, CEO/President, Center for Regional Econ. Competitiveness (CREC)
- Mark Sweeney, Senior Principal, McCallum Sweeney Consulting
- Chip Filer, Associate Professor of Economics, Old Dominion University
- Steve Fuller, Director, Stephen S. Fuller Institute (at George Mason University)

VEDP AND GO VIRGINIA COLLABORATION

- Complementary missions
 - VEDP principally is engaged in marketing, lead gen, business recruitment, incentives management, and trade development, working closely with regional and local EDOs
 - VEDP also engages in product development efforts (e.g., site development, public policy initiatives), *but does not have meaningful funding to support such initiatives*
 - GO Virginia largely is engaged in regional product development initiatives (e.g., development of talent, clusters, and sites), *with funding available for such efforts*
- VEDP and GOVA leaders have had many meetings to discuss collaboration opportunities
- Joint funding of initial baseline data for regions
- GOVA contribution to growth strategy project for additional detailed baseline data for regions as well as identification of multi-region cluster development opportunities
- In the future, we plan to jointly clarify/align our respective core activities to ensure effective collaboration as well as clarity for stakeholders